Diversity as organisational strategy

Citation for published version:
Cornish, T & Calvard, T 2017, Diversity as organisational strategy. in T Cornish & T Calvard (eds), *The Psychology of Ethnicity in Organisations.* Palgrave Macmillian.

Published In:
The Psychology of Ethnicity in Organisations

Chapter 12: Diversity as Organisational Strategy

Thomas Calvard

Introduction

The purpose of this chapter is to examine the relationships between diversity, ethnic or otherwise, and organisational strategy. The irony is that strategy and diversity are not often talked about together in the same breath in organisations, although diversity management practices may be being implemented and there may be many possible linkages between diversity and organisational objectives.

As organisational psychologists, HR staff, managers or diverse employees, we may feel we are primarily concerned with individuals and their relationships, and that strategy is quite an intimidating, large-scale concept to be approached with caution and limited influence. There may be a sense that strategy is something decided on high that descends in a top-down fashion and is ‘rolled out’ across the company towards a workforce of relatively powerless recipients. What is true is that strategy is evidently a complex concept. Typically, strategy is viewed in terms of organisational choices aimed at leveraging distinctive resources towards achieving a sustained competitive advantage in a particular market, industry or sector (Barney, 1991).

Beyond this, there is enormous debate about how this actually occurs; from the initial formulation of a plan through to the juggling of various forms of resources, stakeholders, policies, governance or control mechanisms, values, competitors, and co-operators over time throughout a tricky process of strategic implementation and change. Strategy formation has thus unsurprisingly been described by analogy in terms of the ‘blind men feel an elephant’ parable – everyone gets hold of a slightly different part of the concept, but no one quite sees the bigger picture (Mintzberg, Ahlstrand & Lampel, 2008). Other analogies include dancing giants, elephants, or gorillas as metaphors for large established companies attempting fast and novel strategic changes in relation to competing and cooperating organisations (Kanter, 1989; Markides & Geroski, 2003; Prashantham & Birkinshaw, 2008).

Equating diversity with strategy

What does all this have to do with diversity? First, one of the most influential strategic views of organisations is the resource-based view (RBV) (Priem & Butler, 2001). The RBV theory argues that the key to sustained competitive advantage for organisations lies in their resources (including human resources or capital in their workforces) needing to be as valuable, rare, difficult to imitate, and non-substitutable as possible. Basically, organisations need to be able to have and do things that are valuably different, and stay mysteriously different by being difficult for competitors to imitate. In turn, organisations can stay difficult to imitate mainly by building up a unique history (and culture), keeping the cause-and-effect dynamics of their processes ambiguous to outside scrutiny, and by maintaining a socially complex network of relationships (Barney, 1991). Of course, a lot depends on how 'resources' are defined, deployed and fed into various implementation processes (Newbert, 2007).

What is crucial – and not always highlighted or considered much further – is that workforce diversity can represent and reflect a resource, core competence, or dynamic capability that by its very nature is founded on *differences*, and if managed properly, an overall *difference* (in the form of a very unique configuration) that can allow an organisation to thrive competitively over time. This framing of smart uniqueness is at the heart of all strategic thinking, and underlies daring rhetoric that organisations should 'change to strange' and actively try to be as differentiated as possible, provided they deliver value to customers through performance levers (Cable, 2007). In short, difference, diversity, and differentiation are at the heart of 21st century business strategy, change, and market-based advantages.

The other related reason why diversity and strategy are connected is that it is a diverse workforce that is invariably involved in carrying out an envisioned organisational strategy. From a bottom-up perspective on strategy and strategic change, many innovations and tactical improvements can be argued to *emerge* from a host of smaller-scale, local, and group-based engagements, which in turn have come about from diverse workers sharing information and making joint decisions at lower levels. Interactions between higher and lower organisational levels sit at the heart of most debates on how strategy unfolds in practice.

Research evidence on diversity and strategy

Perhaps because of some of the daunting overall scale and complexity of strategy, not much research has looked explicitly at its relationships with diversity, but one notable exception is the work of Orlando C. Richard. Treating diversity as a source of human capital for organisations (skills, experience, and knowledge of economic value), a series of eight studies conducted by Richard and colleagues in the U.S. (mostly with banks and large firms) has supplied evidence for positive relationships between diversity and strategic organisational outcomes, BUT only when certain conditions are met:

- Racial diversity is positively related to employee productivity, return on equity (ROE), and market performance, BUT only when pursuing a growth strategy (and not a downsizing strategy) (Richard, 2000).
- Age diversity in top management teams (TMTs) is associated with sales growth and return on assets (ROA), BUT only with: low-moderate TMT age diversity rather than high, more business lines in a more complex market, more spending on research and development (R&D) to support innovation, and larger TMTs, indicating greater delegation (Richard & Shelor, 2002).
- Racial diversity is positively associated with ROE, BUT only when pursuing an innovation strategy (Richard, McMillan, Chadwick & Dwyer, 2003).
- Race and gender diversity of TMTs is positively associated with employee productivity and ROE, BUT only for innovative or risk-taking strategies, Innovation was better at high and low levels of diversity, risk-taking at a moderate level (Richard, Barnett, Dwyer & Chadwick, 2004).
- Race and gender diversity as positively associated with performance (employee productivity, ROA, ROE), BUT only for organisations with narrower spans of control (more managers per employee) and in earlier stages of their life cycles (start-up, growth) (Richard, Ford & Ismail, 2006).
- Over a 6 year period, race diversity is positively related to performance (employee productivity and profitability), BUT only: in the longer-term, in service environments (not manufacturing), and in stable environments richer in growth and resources. In the shorter-term, race diversity was only beneficial for performance at higher and lower levels, not intermediate (Richard, Murthi & Ismail, 2007).
- Race and gender diversity of managerial staff is positively associated with performance (ROA), BUT more strongly when 'participative strategy making' (an inclusive, collaborative ethos) was also reported more (Richard, Kirby & Chadwick, 2013).
- Race diversity of managerial staff is positively associated with performance over three years (market share gain and stock returns), BUT only where organisations were more competitive, and had greater industry resources, opportunities, and growth (Andrevski, Richard, Shaw, & Ferrier, 2014).

What these eight studies from Richard and colleagues reinforce is that diversity, in particular racial diversity, is neither simplistically ‘good’ nor ‘bad’ in any fixed sense for organisational performance, but a key part of a joined-up complex overall strategy, one that develops into positive outcomes over a period of years. The strategic effects of workforce diversity are contingent; in other words, context matters, and whether or not diversity is good for performance depends on a range of ifs, buts, whens, wheres, hows, and other qualifying conditions. In practice, this gives some crucial guidance on where to focus attention and expectations, but it also raises problems where context can’t be fully controlled. In particular, it seems that diversity thrives more in healthy, innovative, competitive industries, over the longer-term, and in some cases, with low diversity performing as well as high diversity, and even better than medium levels. However, when these conditions are not met, legality, justice, and ethics still matter more than ever, issues implied further in discussions below.

Furthermore, Richard’s work is on large U.S. firms, using high-level abstracted data, often on banks alone, and so we can’t be sure how far it generalises to other varied business settings or more fine-grained processes. To make the best-quality decisions in organisations, particularly in relation to strategy, requires blending together context, stakeholders, experienced judgement, and external evidence (Briner, Denyer & Rousseau, 2009). Overall, too much research has been produced ‘below-the-line’ looking at how teams and individual employees react to particular diversity practices at the receiving end, and not enough ‘above-the-line’ to look at how entire programmes of multiple diversity management practices are reflected strategically in organisational records and the attitudes and behaviours of senior management (Kulik, 2014). The studies by Orlando Richard, and occasional similar U.S. studies (e.g. Roberson & Park, 2007), are the exceptions rather than the rule, and really just a starting point for diversity strategy research.

Understanding the ‘upper echelons’ where strategy is planned is often hard because of difficulties getting access to them, and also because minorities tend to be less represented at these levels. In spite of this, indeed because of this, academics, practitioners and other stakeholders need to work together to mainstream diversity more into organisational strategy frameworks. In some cases, this may even mean actively reflecting on Whiteness, privilege, and the absence of diversity as challenges for strategy (Atewologun & Sealy, 2014). It also means looking at strategy from various angles, and considering how diversity might be relevant, even when it is only implied in relation to a seemingly different issue.

Business models and diversity

Making diversity part of strategy means working it into the building blocks of strategy – of which there are many. There are many general strategic schemes, so just a few are focused on here, to illustrate major activities and components. The RBV is a persuasive model of strategy, although it would just situate diversity *internal* to the firm, in terms of a distinctive workforce. This perspective is well complemented by more *external* or outward-facing views of strategy. Chief among these is Michael Porter's 'five forces model'; the five forces being: competitive rivalry amongst firms in the same industry, the potential threat of new entrants becoming competitors, the power of buyers to stay or go elsewhere, the power of suppliers to stay or go elsewhere, and the threat of new products or services substituting for existing ones provided by organisations (Grundy, 2006). Diversity is present inside and outside the organisation and both need to be accounted for, but the RBV and five forces models are still generic, static, and over-simplistic. They say little about the social, political, and economic aspects of diversity that feed into business issues, something we continue to touch upon below.

If RBV and the five forces tell us something of the 'what' of strategy, then *business models* tell us more about the 'how' and the 'why' (see definitions and top tips boxes below). *Strategies, business models, and tactics* are all related, but can be seen as representing overlapping stages of an overall process from general to specific (Casadesus-Masanell & Ricart, 2010). Strategies represent a choice of which business model a company should use, business models represent the choice for any given period (itself a connected set of choices and consequences), and tactics are more finely-tuned choices within the chosen business model. Strategies then are attempts to innovate competitively with particular business models and realise their objectives under certain scenarios to create and/or capture value (e.g. if competitor A enters the market, we switch toward business model B). Many things are captured in the contents of a good business model, including a value proposition for targeting customers to generate revenue via various offerings; a value chain of cost-efficient operations; and additional key choices about physical assets, company policies, and the decision-making/ownership rights created by particular forms of governance (Casadesus-Masanell & Ricard, 2010). In short, business models show how organisations do what they are strategically designed to do - create and/or capture economic value for stakeholders.

Start definitions box one

Business models and building blocks of organisational strategy

Business models, strategies, and tactics can be defined and thought of by way of an analogy to a car (Casadesus-Masanell & Ricart, 2010):

- *Strategy:* The choice of overall business model. That is, a choice about which type of car (seats, shape, power, consumption etc.) should be driven. A sophisticated strategy will consider multiple business models that might be used or switched to under different scenarios, as well as the 'moves' of competitors. Diversity may only fully feature in strategic choices when conditions of inequality, globalisation, immigration or other big contingencies are taken seriously within and across societies and markets.
- *Business model:* The choices and consequences concerning the way the organisation operates and how it creates value for stakeholders. The business model is the type of automobile currently being driven. It could have a diversity logic by including features like equal pay reporting, contracts with diverse community partners, internationally located facilities, diverse team working arrangements, and pro-diversity marketing campaigns.
- *Tactics:* The fine-tuning choices made within the boundaries of the specific business model chosen. This can be thought of as how the automobile is driven (fast, slow, with the windows down etc.) In diversity terms, choices over which communities to focus on, methods for targeting them, types of diversity training, representation and retention targets, which competencies to value the most, and so on.

Finish definitions box one

Start top tips box one

Use the language of strategies, business models, and tactics to integrate diversity into organisations' strategic choices, large and small. Think of strategy not as a budgeting project, but as a journey of framing, diagnosing, planning, searching, choosing, boosting commitment, and evolving. Recognise priority issues, and that every 3-5 years key events will occur, meaning that strategies will need to be re-created, recommitted to, or refreshed. Link diversity to wider discussions of products, services, and value, incorporating demographic trends, diverse market segments, global organisational working processes, and international stakeholders.

Finish top tips box one

It can seem difficult to bring diversity directly into such a high-level discussion of value, products, services, markets, and operations, but this translation problem is undeniably a worthwhile challenge and should be embraced as such. The sector, global reach, and founding values of a company will form a contextual backdrop against which change agents will try to introduce or frame the justifiable importance of issues of inequality, international development, immigration, representation, regulation, and stakeholder engagements. One example of where this is done already can be seen in the business models of non-profits in social sectors, organisations that are often geared towards addressing global social issues relevant to diversity or vulnerable minority groups (e.g. achievement gaps, poverty, regional health and development, disaster relief), and thus comfortable with the idea of strategic change or reinvention to bring about radical changes in the world around them.

Diversity and the triple bottom line

As well as business models, another prominent concept for uniting diversity and organisational strategy is by treating diversity as part of the *triple bottom line*. The triple bottom line implies strategically managing organisations to perform effectively in three ways simultaneously - financially, socially, and environmentally (Epstein, Buhovac & Yuthas, 2015). This is also a way of unpacking the umbrella term of corporate social responsibility (CSR) and thinking about how positive business outcomes can be achieved in the process of pursuing virtuous, ethically good aims that benefit societies more widely. Managers of business units in large multinationals like Nike or Procter & Gamble have generally become more accepting of and familiar with the need to weave the environmental and social into co-existing formats alongside financial objectives, both to safeguard their reputation and in looking for ways to progress their businesses in the longer-term (Epstein et al., 2015). The case study box below describes a company strategically incorporating diversity initiatives into its triple bottom line to ensure high performance and sustained competitive advantage.

Start case study box one

Juggling diversity as part of a strategic triple bottom line at an international London restaurant chain.

Hurley's restaurants have always taken sustainability and diversity and inclusion seriously as important strategic issues alongside short-term financial success. Over the last ten years they have produced separate annual reports on these issues to regularly reflect on progress in these areas. Their London-based restaurants have always prided themselves on remaining open to everyone through riots, the 2012 Olympics, political party changes, and even terrorist incidents. The diversity of Hurley's labour force is carefully monitored to ensure that it mirrors diversity in the local community and customer base, as this is widely accepted to be good for business.

In the last five years, the board has pushed through programs designed to boost its supplier diversity, build coalitions across its workforce diversity, and establish outreach initiatives to engage community diversity. As a result it is now frequently included in Top 50 Company lists for integrity in the area of managing ethnic and racial diversity.

Hurley's now has a few restaurants in Europe and America, and is at a stage where the triple bottom line is taking on a challenging global relevance. Rising energy costs, racial/civil unrest, water scarcity, and social inequality all affect the company's ability to conduct business effectively, as well as having adequate financial resources.

The company's board are working with two new business unit leaders, using a triple bottom line tool called 'ParadoxPlus' to highlight issues where financial benefits conflict with social/environmental costs, or vice versa. Ethical issues are categorised as 'lose-lose' 'win-lose' or 'win-win' on the basis of whether they are profitable and/or ethical.

The board ensures that no issues are handled in a lose-lose manner or a win-lose manner where financial wins at the loss of ethical standards. Compensatory, mutually beneficial solutions are sought by separating short-term and long-term trade-offs, setting ambitious regulatory targets to boost reputation, and experimenting with new alliances, partnerships, and business development that can weave social and environmental aims into the future growth of the company.

Finish case study box one

As the case study above starts to indicate, irrespective of where a company is based, a fully realistic, developed strategic view should be international, globalised, and in tune with political and economic contexts that may affect its ability to grow, compete, and survive. To the extent that we live in a globalising world, diversity is inherent to many of the processes shaping globalisation and the outcomes stemming from it, and so having a strategy that speaks to these issues can help maintain an organisation's place and standing within wider social orders.

Globalisation and micro-foundations of diversity strategy

Globalisation has many dimensions (psychological, economic, political, technological, environmental etc.), and they affect how diversity is experienced by workforces, and how organisations formulate international business strategies. In some ways, globalisation offers a way of bringing everyone together via moral individualism (i.e. we are all entitled to certain rights and a level of dignity no matter who we are), in other ways, it can intensify existing conflicts of difference, and create new complex forms of diversity (Steger, 2013). Some would even argue that we are living and working in an era of *super-diversity*, more complicated than ever before, of diverse immigrant statuses, multiple transnational migration patterns, and de-industrialized sources of talent (Vertovec, 2007).

Here too it is important to try to engage these patterns by trying to stretch diversity management practices outwards from the organisation and into its strategic environment. This wider global strategic environment relevant to diversity encompasses regulation, community, elites, national histories and heritages, institutions (national and international), and even views on capitalism itself. At the smallest level of strategic analysis, however, the issue is how to conceive of the *micro-foundations* of strategy as diverse employees that bring sources of *human capital* into companies at the bottom. This human capital can then be integrated to help the organisation thrive at higher levels, provided the HR approach is flexible enough to deal with the equally flexible, mobile, uncertain realities of international labour markets (Coff & Kryscynski, 2011).

Strategy research has been extensively concerned with micro-foundations - call them talent, human capital, or simply diverse individuals – and how people work together from within common structures to build their individual contributions up into *capabilities* and *routines* that in turn help an organisation to produce, learn, adapt, and change (Felin, Foss, Heimeriks & Madsen, 2012). Alongside intense trade specialisation and rapid competitive responses engendered by globalisation, organisations are particularly interested in cultivating *dynamic capabilities;* higher-order skills that by their entrepreneurial nature help organisations to strategically transform themselves and stay in the competitive running, or even one step ahead (Teece, 2012).

In terms of elementary strategic foundations making up human capital, they may include star performers, crucial relationships, pipelines for future employees, skills shortages, employee mobility, who the executives and directors are, and social networks spreading between organisations. Diversity goes hand-in-hand with global talent issues in the wider world, and so equality of representation and inclusion should be ensured so that diversity can feed into these all-important building blocks of valuable interactive work. Furthermore, globalisation is changing people’s sense of identity in certain ways, and thus also changing diversity’s relationship with human capital as a micro-foundation of strategy. The boxes below elaborate further on these points.

Start definitions box two

The psychology of globalisation and diversity as a strategic source of human capital

Globalisation has had at least four main psychological consequences for our identity (or identities) (Arnett, 2002):

- *Bicultural identities:* Young adults are increasingly growing up with a global consciousness, developing two key identities; a global one and a local one. They strive to share in wider cultures whilst also staying true to family and roots.
- *Identity confusion:* Individuals may feel cut off from both the local and global, feeling marginalised and doubly excluded in a sort of 'no man's land' without a clear sense of direction.
- *Self-selected cultures:* People are unlikely to become totally global in their outlook, so they continue to set themselves apart as different in other grouped ways; religiously, creatively, politically, professionally etc.
- *Spread of emerging adulthood:* Many people will take longer in their lives to transition fully to work, parenthood, and marriage, preferring to engage in a prolonged period of education, travel, and self-exploration.

Organisations need to look at these influences and to separate out four ways employees constitute human capital, with ethnic minorities and culturally diverse employees carrying their own categories of strategic value (Ortlieb & Sieben, 2014):

- *Mere labour:* Willingness to work for a low wage and/or in undesirable jobs.
- *Ethnicity-free competencies:* Work experience, professional knowledge, skills, and abilities.
- *Ethnicity-relevant competencies:* Languages, cultural skills, networks, new/alternative work approaches.
- *Ethnic background*: International symbols, authenticity, signals fair and discrimination-free employment.

Finish definitions box two

Start top tips box two

Practice Corporate Cultural Responsibility (CCR) as well as Corporate Social Responsibility (CSR). Use the categories defined in the box above to set up and inform cultural support groups and development programs, identify salient workforce issues, and integrate ethnic culture into competency frameworks so that diverse employees are clearly valued to the fullest as a valuable resource and recognisable foundation for the company's strategy.

Finish top tips box two

Diversity in relation to institutions and international business

Zooming out, we can see that larger strategic structures rest atop these human foundations and exert a wide social influence of their own over time. The language of larger scales reflects this: research discusses institutions, professions, logics and fields. The word institution really reflects classes of organisations, what they stand for, whether they can play an important role in societies, and how they might best do so. The idea of an institution is troubled by *context:* we know that all organisations are not the same, but simply admitting that every organisation is unique seems to be the equally unhelpful opposite extreme – again the issue is one of paying proper respect to *difference* (Greenwood, Hinings & Whetten, 2014). Similarly, fields implicate entire communities of organisations, and logics are the systems of meaning about why such organisations exist at all, what they should look like in terms of a blueprint, and how they should be run. Understanding cultural diversity strategically means more attempts are needed to systematically connect these levels of context together into fuller pictures.

Seven major institutions of society are family, community, religion, academia, business, media, and government (Palmer, 2014). Ethnic, cultural and other forms of employee diversity are all obviously implicated in these. Then those seven further break down into various occupations, fields, sectors, and professions. We might nevertheless persist in asking why this matters precisely for workforce diversity, or how institutions can be pro or anti-diversity. One answer is that recent processes of globalisation over the last few decades have meant increasing influence granted to international institutional forms, whether financial like the IMF, ethical like Amnesty, radical-environmental like Greenpeace, and political or humanitarian like the UN (Steger, 2013). These institutions preside over culturally and ethnically diverse constituencies and their framings of policies feed down into organisations operating within and across national borders.

Research from *international business* (or 'international management') is concerned with how multinational, transnational, and other international corporations operate around the world. Such companies need to be able to meld together the local and the global, manage mobile expatriate and internationally diverse employees, and carry out strategy-making within and across international markets, regulations, and other industry conditions. As organisations internationalise, international business and management will continue to try to assess their key practices and processes, although they have proved somewhat elusive; and hard-edged wisdom or clear bodies of evidence have been slow to materialise (Acedo & Casillas, 2005). The field even attracts some criticism, mainly for downplaying cultural clashes and preferring to adopt a Westernised economic perspective (Prasad, Pisani & Prasad, 2008).

Even small to medium organisations (SMEs) operating within the UK are going to have to face challenges as they inevitably scale up their strategies and need to engage with wider communities and EU legislation relevant to larger workforces. Here connecting diverse employees together might actually be a useful mechanism for keeping the organisation fresh and for facing the challenges of scaling up into a complex environment, doing so by building a correspondingly complex workforce that can own global values and get comfortable with renewing and questioning itself (Sutton & Rao, 2014).

As an organisation grows and acquires history and standing within a particular institutional field, it will further seek *legitimacy* in order to establish itself and thrive amongst its competitors. Companies often do this by copying each other, arising from a sort of peer pressure known as 'isomorphism'. Legitimacy concerns addressing *diverse* systems of belief and points of view; it is both a strategic resource and a deeply meaningful cultural symbol. To manage legitimacy most effectively, three main types need to be considered (Suchman, 1995):

- *Pragmatic:* An organisation that aligns its interests appropriately with relevant stakeholders, audiences, and constituencies, positively evaluated by them as a result.
- *Moral:* An organisation seen as knowing the 'right things to do' for society and doing them (rather than just seeking mutually beneficial exchanges with certain parties). This can refer to outcomes, procedures, structures, or leaders.
- *Cognitive:* An organisation supported for providing fairly comprehensive, plausible, and taken-for-granted ways of understanding and behaving (e.g. medicine/health).

Clearly, the three types of legitimacy are interrelated, and legitimacy as a whole is vulnerable to breakdowns or forms of 'delegitimation' (e.g. scandals, crises). To engage in legitimacy management means organisations need to decide what standards they wish to conform to, select environments where they wish to be positively evaluated, and see if they can shape systems of belief. Then legitimacy has to be protectively maintained and, if needed, repaired. Large organisations are particularly vulnerable to crises of legitimacy given the size of their audiences (e.g. customer bases, nations of tax-paying citizens) and scope of their influence (e.g. monopolies, policy-making). Recent discussions on the UK economy and management of organisations often describe a 'trust deficit' and a 'leadership deficit', linked to a lack of public trust about the ethical integrity of those occupying powerful institutional positions, doubt over finding fresh talent capable of replacing them, a communication gap between workers and senior management, and a threatened economic recovery (CIPD, 2013; Great Place to Work, 2013).The UK has experienced a series of scandals in institutions of many kinds – parliament, healthcare, media/broadcasting, banking, the police – and has seen a decline in public trust as a result, linked in turn to a general crisis of confidence about the efficacy of UK democracy (Runciman, 2014).

An example featuring ethnic diversity in the UK is the charge of *institutional racism* in the British police force, particularly as a result of the 1999 Macpherson inquiry into the murder of the black teenager Stephen Lawrence and the police's seeming reluctance (coupled with incompetence) to recognise a racially motivated attack and bring the white perpetrators to justice (Hall, 1999). Institutional racism is a slippery concept to tackle because it runs through most layers of an organisation, deemed to be subtle, routine, built-in, pervasive, unconscious, and vague in relation to actions or responsibilities that might require change. There are arguably some tendencies for institutions' diversity and strategy to 'run down' over time; to become the same, homogenised, predictable. This is where the concept of *sameness* is also important alongside *difference* for a full understanding of diversity and strategy.

The theory of ASA (attraction-selection-attrition) argues that: organisations *attract* people with similar qualities, *select* from those people an even narrower subset that conform strongly to those qualities, and lose via *attrition* any people with remaining differences that decide to leave the organisation over time (Schneider, 1987). This cyclical winnowing process at best gives organisations some consensus and stability, but at worst leaves them egocentric, hypocritical, and riddled with bad habits. The people make the place, the place makes the people, and there is a certain flawed rigidity of form that is not conducive to a thriving strategic, diversity-rich organisation.

Not all is institutional doom and gloom, however. Institutions can seek to reinvent themselves and use their practices and policies to strategically embrace pro-diversity agendas. The case study box below outlines how the British Film Institute (BFI) is trying to link organisational strategies in the film-making industry to cultivating high standards of diversity representation and inclusion.

Start case study box two

Shaping a pro-diversity institution: BFI's 'Three Ticks' approach.

The BFI is a government body that oversees millions in lottery funds, distributing 27 million per year to UK film-makers. Under new rules, film-making organisations must satisfy at least two out of three categories under a new 'Three Ticks' scheme. The scheme includes quotas on the actors and crew who are female, gay, working-class, disabled, or from ethnic minorities (Bloom & Robinson, 2014). The aim is to make films reflect modern Britain.

Examples of films that 'tell diverse stories' have been provided as role models. The three criteria categories have been laid out by a diversity expert:

1. *On-screen diversity:* Diverse subject matter, at least one lead character (and 30% of supporting cast) to positively reflect diversity.
2. *Off-screen diversity:* A range of targets for different diverse groups to be represented in creative roles (directors, composers), Heads of Department, and production staff.
3. *Opportunities and social mobility:* Providing paid internships, employment opportunities, and training placements for new and recent entrants with diverse backgrounds.

Other public institutions like the BBC have similar quota targets in place for the next three years. Despite grumbling from some right-wing politicians about political correctness and the need to remain 'blind' to diversity, the move has met with general political and public success, as a way of helping the film industry remain relevant to, and representative of society. The culture minister hopes others will follow the BFI with similar solutions.

Finish case study box two

When thinking about institutions, it is also apt to keep the international dimensions in mind. Despite living in a globalised world populated by multinational corporations and institutions, thinking of diversity management as an international issue remains generally under-recognised and under-studied. Large multinationals struggle to *transfer* diversity management practices across countries without inappropriately imposing them; that is, they struggle to balance global integration with local responsiveness (Lauring, 2013). Operating in the Middle East, Europe, the U.S. and other continents creates conflicts of interest between the headquarters and the subsidiaries, around mixed local and international workers, cultural values, religious differences, legislative differences, and routes to profitability. Urging senior and middle managers to simply 'play to the strengths' of a host country or 'be sensitive to the local' isn't particularly simple. Diversity management can be difficult to monitor, and people and groups will use their power to act in their own self-interest.

One potential solution lies in having global task forces of diversity officers, representative of different countries and constituencies, granted powers to resolve local issues and reconcile them to various standards. Furthermore, there need to be appropriate reward structures and monitoring in place to make sure that standards are not unnecessarily or wilfully flouted (Lauring, 2013). Models of international diversity management incorporating how organisations should respond to nations, politics, policies, and history are out there, particularly in the work of Mustafa Özbilgin (e.g. Syed & Özbilgin, 2009), but there are no easy solutions to implementing them, partly because 'diversity officer' is still a very fragile, under-respected practitioner role (Kirton & Greene, 2009; Tatli, 2011). These difficult issues reflect where psychology starts to come into contact with sociology, politics, and other disciplines. They force us to confront head-on the toughest challenges of taking diversity seriously as a strategy for organisations to both thrive competitively and benefit societies. Another key factor is how companies respond to law, policy, and regulation (in the case of diversity – equal opportunities and discrimination issues) – here research has shown that, amidst many kinds of unethical regulatory scandals, in the broadest terms, corporations tend to *strategically* respond to being called to account in one of two ways (Marcus, 1987):

- *Opportunism:* Responding early and proactively to regulation to preserve strategic flexibility, with larger companies even transforming regulatory constraints into profitable business opportunities. Dow Chemical, for example, while dealing with its own shortcomings, developed pollution control products and services and ultimately sold them back to others (including the government)!
- *Stonewalling:* Using existing legal and administrative procedures to resist the tide of new government sanctions and requirements. Reserve Mining in the 1970s used this strategy in the form of legal disputes and appeals to delay for more than five years a ban on the direct dumping of their wastes.

In reality, there are many shades of grey – corporations can be seen to 'care' about ethical, socially responsible issues to different degrees at different times and under different conditions, just as they can respond to issues with different degrees of sincerity. It depends on their strategic goals – their vision, institutional grounding, and uniquely competitive ways of creating value in markets. Sadly, what recent studies suggest is that 'markets for virtue' or CSR don't really exist or at least have been very slow to develop in areas of corporate governance, community support, and harmful products/services, with only modest improvements in diversity targets/breadth, employment relations, and the environment (Brammer & Berman, 2014).

On a more positive note, many organisations and stakeholders are breaking ground on various ethical and political issues (including diversity) that are likely to continue to change the competitive landscape. The New Economics Foundation (NEF), for example, has identified a group of 'ethical pioneer' organisations across all sectors, who are highly progressive in shaping positive social and environmental changes, whether it's coffee producers tackling global poverty and environmental degradation, or banks that loan money for various socially responsible investments (NEF, 2005).

Diversity may compete for attention with other ethical and social issues in these strategic initiatives, but in other cases, there may be ways of making a complementary gain (e.g. targeting disadvantaged groups in supply chains while also battling climate change). As well as smaller pioneers, some larger companies may be taking positive strategic actions on diversity that are pioneering in their own right. For example, Lloyds Banking Group has recently told its recruiters that no short lists for vice-president level or upwards will be considered further unless one-third minimum of candidates are suitably qualified women (Wall Street Journal, 2015). Similarly, in the tech industry, Intel recently doubled its referral bonus (incentives of up to $4000) for staff who refer women, minorities, and veterans to its workforce, a way of addressing its predominantly white, male workforce and significantly improving representation by 2020 (Tech Spot, 2015). The Occupy protests (in part a response to the global financial crisis), various community/social movements, and other global power shifts will all continue to play roles in affecting organisations' reputations and their strategic responses to diversity (Nye, 2010).

Embedding a diversity strategy: Four practical recommendations

Below are four main recommendations for how organisational diversity strategies might be better embedded and implemented in practice.

First, and particularly for HR and diversity management practitioners, clear strategic positions on the business case for diversity need to be staked out. The business case should probably be made in both *narrow* (firm financial performance) and *broad* (long-term outcomes in relation to society) terms (Carroll & Shabana, 2010). In some cases, there may be no clear-cut evidence for a business case, but regardless of what evidence is available, achievable, or desirable, other parallel cases for diversity (legal, moral, social, economic) should also be acknowledged and invoked in talking about different drivers of strategy

(Özbilgin, Mulholland, Tatli & Worman, 2008). Finally, to avoid hypocrisy or illegitimacy, the shortcomings of an overly-strong business case should be culturally acknowledged – that it can be seen as a 'soft' option to serious issues, can dilute the focus on some forms of diversity at the expense of others, and can actually lead to new forms of stereotyping that serve business interests (Wrench, 2005).

Second, and applicable to many managers, in particular middle managers, who are often a crucial link in strategy implementation, is establishing ways for them to identify diversity priorities in the workforce, and to define and measure diversity in various meaningful ways as a sort of strategic 'currency'. Many managers are often confused trying to focus on too many diversity issues at once, and whether they should be treating people differently or the same. They see diversity strategy as 'easy to say, difficult to do' (Foster & Harris, 2005). This relates to how to define and measure diversity in terms of day-to-day 'operational' realities that link back to larger strategic ones. For example, depending on the context, diversity can be viewed in terms of variety (totally different categories that bring unique perspectives), disparity (differences in power, status, or resources), or separation (disagreements or opposing opinions) (Harrison & Klein, 2007). Other frameworks would also add the 'range' of possibilities of a difference, and the 'spread' of the workforce across those possible values of the difference (Dawson, 2012), as well as whether differences are relevant to work tasks, easy for workers to detect, and amenable to change (Calvard & Hoever, 2012).

Third, and something potentially for BAME employees, HR, and managers to consider together, is ways of using big data and analytics to evaluate workforce diversity patterns, trends, anomalies, and outcomes (Davenport, 2014). In some cases, diversity data will be more open, easy, and appropriate to access than others, and it needs to be used legally and responsibly, but in general, it is a powerful tool for demonstrating patterns of talent and inequality. For example, Xactly, a cross-industry compensation planner for sales representatives, analysed 9 years of pay data to discover that men were being paid more, on average, although women were actually performing higher — making their sales quota three percent more often than their male counterparts (InclusIQ, 2014). HR and accounting teams worked quickly to address this unfair gender favouritism wherever possible. Currently, big data analytics is under-utilised by most companies, but there are considerable opportunities for using it to reinforce the business case for diversity, eliminate discrimination, identify retention or inclusion patterns, and develop talent (Loehr, 2015). Linking diversity to talent management via big data may also help organisations and executives take HR diversity concerns more seriously as data- and performance-driven, and lead to a virtuous cycle of attracting, developing, and retaining diverse talent and future leaders (Ng & Burke, 2005).

Finally, and perhaps most challenging, is for employees, HR, and middle managers to engage diversity in terms of the operational realities of daily life in the organisation, and how strategic change will be *implemented* and *communicated* through a set of processes. This means bringing the overlapping and intersecting diverse groupings in the organisation together in various organic ways, multiple times, to discuss and work through their overarching similarities and points of differences, personally and socially, in a 'caucusing' process (Haslam, Eggins & Reynolds, 2003). Obviously, these processes of *intergroup contact* need to be carefully managed, under as ideal a set of conditions as is possible. Research has shown that simply making time and space for diverse groups of people together can reduce prejudice, and this process is particularly facilitated by fostering a sense of equal status, cross-group friendships, common goals, no intergroup competition, and when approved by authority (Pettigrew, Tropp, Wagner & Christ, 2011).

Conclusion

In conclusion, and as indicated by the four recommendations above, most management thinking is necessarily concerned with strategy one way or another, and diversity management needs to find corresponding ways to speak to these concerns. Strategy encompasses 'bigger picture' questions about the purposes and characteristics of organisations and entire societies, institutions and markets, as well as 'smaller' questions about talent and human capital coming into the organisation and building strategic foundations for its future. What a good understanding of business strategy as interwoven with diversity highlights is the power of the concepts of sameness and difference when scaled up. A company can only operate on 'sameness' for so long before it needs to embody and capture the differences emerging around it in evolving communities, markets, and societies if it is to be viewed as truly legitimate, positively distinctive, and to continue to thrive and grow.

References

Acedo, F. J., & Casillas, J. C. (2005). Current paradigms in the international management field: An author co-citation analysis. *International Business Review*, *14*(5), 619-639. doi: 10.1016/j.ibusrev.2005.05.003

Andrevski, G., Richard, O. C., Shaw, J. D., & Ferrier, W. J. (2014). Racial diversity and firm performance the mediating role of competitive intensity. *Journal of Management*, *40*(3), 820-844. doi: 10.1177/0149206311424318

Arnett, J. J. (2002). The psychology of globalization. *American Psychologist*, *57*(10), 774. doi: 10.1037/0003-066X.57.10.774

Atewologun, D., & Sealy, R. (2014). Experiencing privilege at ethnic, gender and senior intersections. *Journal of Managerial Psychology*, *29*(4), 423-439. doi: 10.1108/JMP-02-2013-0038

Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, *17*(1), 99-120. doi: 10.1177/014920639101700108

Bloom, D. & Robinson, J. (2014, July 8). Films must 'tick boxes' on diversity to win funds. *Mail Online.* Retrieved from http://www.dailymail.co.uk/news/article-2684301/Films-tick-boxes-diversity-win-funds-BFI-sets-targets-number-female-gay-ethnic-minority-actors-crew.html

Brammer, S. & Berman, S. (2014). Great expectations! Analyzing the evolving discourse and practice of Corporate Social Responsibility. *Conference Paper Presented at the Annual Academy of Management Meeting, Philadelphia, PA.*

Briner, R. B., Denyer, D., & Rousseau, D. M. (2009). Evidence-based management: Concept cleanup time? *The Academy of Management Perspectives*, *23*(4), 19-32. doi: 10.5465/AMP.2009.45590138

Cable, D. (2007). *Change to strange: Create a great organisation by building a strange workforce.* New Jersey: Prentice Hall.

Calvard, T. & Hoever, I. (2012). Differentiating differences: Conceptualizing team diversity using continuous dimensions. *Academy of Management Proceedings.* Retrieved from: http://proceedings.aom.org/content/2012/1/1.157.short

Carroll, A. B., & Shabana, K. M. (2010). The business case for corporate social responsibility: A review of concepts, research and practice. *International Journal of Management Reviews*, *12*(1), 85-105. doi: 10.1111/j.1468-2370.2009.00275.x

Casadesus-Masanell, R., & Ricart, J. E. (2010). From strategy to business models and onto tactics. *Long Range Planning*, *43*(2), 195-215. doi: 10.1016/j.lrp.2010.01.004

CIPD (2013, December). *Megatrends: Are organisations losing the trust of their workers?* Report.

Coff, R., & Kryscynski, D. (2011). Invited Editorial: Drilling for micro-foundations of human capital–based competitive advantages. *Journal of Management*, *37*(5), 1429-1443. doi: 10.1177/0149206310397772

Davenport, T. (2014). *Big data @ work: Dispelling the myths, uncovering the opportunities.* Boston, MA: Harvard Business Review Press.

Dawson, J. (2012). Measurement of work group diversity. *Doctoral thesis, Aston University, Birmingham.* Retrieved from http://eprints.aston.ac.uk/16437/1/Measurement%2Bof%2Bwork%2Bgroup%2Bdiversity(2012).pdf

Epstein, M. J., Buhovac, A. R., & Yuthas, K. (2015). Managing social, environmental and financial performance simultaneously. *Long Range Planning*, *48*(1), 35-45. doi: 10.1016/j.lrp.2012.11.001

Felin, T., Foss, N. J., Heimeriks, K. H., & Madsen, T. L. (2012). Microfoundations of routines and capabilities: Individuals, processes, and structure. *Journal of Management Studies*, *49*(8), 1351-1374. doi: 10.1111/j.1467-6486.2012.01052.x

Foster, C., & Harris, L. (2005). Easy to say, difficult to do: diversity management in retail. *Human Resource Management Journal*, *15*(3), 4-17. doi: 10.1111/j.1748-8583.2005.tb00150.x

Great Place to Work (2013, November). *Mind the gap! How do senior leaders lead employees in an ever-changing world?* Report.

Greenwood, R., Hinings, C. R., & Whetten, D. (2014). Rethinking institutions and organizations. *Journal of Management Studies*, *51*(7), 1206-1220. doi: 10.1111/joms.12070

Grundy, T. (2006). Rethinking and reinventing Michael Porter's five forces model. *Strategic Change*, *15*(5), 213-229. doi: 10.1002/jsc.764

Hall, S. (1999, October). From Scarman to Stephen Lawrence. In *History Workshop Journal* (No. 48, pp. 187-197). Oxford: Oxford University Press.

Harrison, D. A., & Klein, K. J. (2007). What's the difference? Diversity constructs as separation, variety, or disparity in organizations. *Academy of Management Review*, *32*(4), 1199-1228. doi: 10.5465/AMR.2007.26586096

Haslam, S. A., Eggins, R. A., & Reynolds, K. J. (2003). The ASPIRe model: Actualizing social and personal identity resources to enhance organizational outcomes. *Journal of*

Occupational and Organizational Psychology, *76*(1), 83-113. doi: 10.1348/096317903321208907

InclusIQ (2014, December 16). *Big data CEO rights women's pay after seeing women outperformed, but were underpaid in own org.* Blog. Retrieved from http://inclusiq.com/big-data-ceo-rights-womens-pay-after-seeing-women-outperformed-but-were-underpaid-in-own-org/

Kanter, R. M. (1989). *When giants learn to dance.* New York: Touchstone, Simon & Schuster.

Kirton, G., & Greene, A. M. (2009). The costs and opportunities of doing diversity work in mainstream organisations. *Human Resource Management Journal*, *19*(2), 159-175. doi: 10.1111/j.1748-8583.2009.00091.x

Kulik, C. T. (2014). Working below and above the line: The research–practice gap in diversity management. *Human Resource Management Journal*, *24*(2), 129-144. doi: 10.1111/1748-8583.12038

Lauring, J. (2013). International diversity management: Global ideals and local responses. *British Journal of Management*, *24*(2), 211-224. doi: 10.1111/j.1467-8551.2011.00798.x

Loehr, A. (2015, June 25). *4 ways HR analytics can improve workplace diversity.* Blog. Retrieved from http://www.cornerstoneondemand.com/blog/4-ways-hr-analytics-can-improve-workplace-diversity#.Vd25b51waUk

Marcus, A. A. (1987). US firms' responses to regulation: Stonewalling and opportunism. *Long Range Planning*, *20*(3), 98-104. doi: 10.1016/0024-6301(87)90077-X

Markides, C. & Geroski, P. (2003). Teaching elephants how to dance and other silly ideas. *Business Strategy Review*, *14*(3), 49-53. doi: 10.1111/1467-8616.00273

Mintzberg, H., Ahlstrand, B., & Lampel, J. (2008). *Strategy safari: Your complete guide through the wilds of strategic management (Second edition).* Harlow, UK: FT Prentice Hall.

Newbert, S. L. (2007). Empirical research on the resource-based view of the firm: an assessment and suggestions for future research. *Strategic Management Journal*, *28*(2), 121-146. doi: 10.1002/smj.573

New Economics Foundation (NEF) (2005, April 10). *Ethical business.* Retrieved from http://www.neweconomics.org/publications/entry/ethical-business

Ng, E. S., & Burke, R. J. (2005). Person–organization fit and the war for talent: does diversity management make a difference? *The International Journal of Human Resource Management*, *16*(7), 1195-1210. doi: 10.1080/09585190500144038

Nye, J. (2010). *Global power shifts.* TED presentation. Retrieved from https://www.ted.com/talks/joseph_nye_on_global_power_shifts?language=en#t-1056315

Ortlieb, R., & Sieben, B. (2013). Diversity strategies and business logic: Why do companies employ ethnic minorities? *Group & Organization Management*, *38*(4), 480-511. doi: 10.1177/1059601113497094

Özbilgin, M., Mulholland, G., Tatli, A. & Worman, D. (2008). *Managing diversity and the business case.* London: CIPD.

Palmer, S. (2014). *What are the seven major societal institutions, and the roles of each?* Retrieved from http://stephendpalmer.com/major-societal-institutions-roles/

Pettigrew, T. F., Tropp, L. R., Wagner, U., & Christ, O. (2011). Recent advances in intergroup contact theory. *International Journal of Intercultural Relations*, *35*(3), 271-280. doi: 10.1016/j.ijintrel.2011.03.001

Prasad, S. B., Pisani, M. J., & Prasad, R. M. (2008). New criticisms of international management: An analytical review. *International Business Review*, *17*(6), 617-629. doi: 10.1016/j.ibusrev.2008.09.005

Prashantham, S. & Birkinshaw, J. (2008). Dancing with gorillas: How small companies can partner effectively with MNCs. *California Management Review*, *51*(1), 6-23. doi: 10.2307/41166466

Priem, R. L., & Butler, J. E. (2001). Is the resource-based "view" a useful perspective for strategic management research? *Academy of Management Review*, *26*(1), 22-40. doi: 10.5465/AMR.2001.4011928

Richard, O. C. (2000). Racial diversity, business strategy, and firm performance: A resource-based view. *Academy of Management Journal*, *43*(2), 164-177. doi: 10.2307/1556374

Richard, O. C., & Shelor, R. M. (2002). Linking top management team age heterogeneity to firm performance: Juxtaposing two mid-range theories. *International Journal of Human Resource Management*, *13*(6), 958-974. doi: 10.1080/09585190210134309

Richard, O., McMillan, A., Chadwick, K., & Dwyer, S. (2003). Employing an Innovation Strategy in Racially Diverse Workforces Effects on Firm Performance. *Group & Organization Management*, *28*(1), 107-126. doi: 10.1177/1059601102250022

Richard, O. C., Barnett, T., Dwyer, S., & Chadwick, K. (2004). Cultural diversity in management, firm performance, and the moderating role of entrepreneurial orientation dimensions. *Academy of Management Journal*, *47*(2), 255-266. doi: 10.2307/20159576

Richard, O. C., Ford, D., & Ismail, K. (2006). Exploring the performance effects of visible attribute diversity: the moderating role of span of control and organizational life cycle. *The International Journal of Human Resource Management*, *17*(12), 2091-2109. doi: 10.1080/09585190601000246

Richard, O. C., Murthi, B. P., & Ismail, K. (2007). The impact of racial diversity on intermediate and long-term performance: The moderating role of environmental context. *Strategic Management Journal*, *28*(12), 1213-1233. doi: 10.1002/smj.633

Richard, O. C., Kirby, S. L., & Chadwick, K. (2013). The impact of racial and gender diversity in management on financial performance: How participative strategy making features can unleash a diversity advantage. *The International Journal of Human Resource Management*, *24*(13), 2571-2582. doi: 10.1080/09585192.2012.744335

Roberson, Q. M., & Park, H. J. (2007). Examining the link between diversity and firm performance: The effects of diversity reputation and leader racial diversity. *Group & Organization Management*, *32*(5), 548-568. doi: 10.1177/1059601106291124

Runciman, D. (2014, February 6). Notes on a series of scandals: Is British democracy in crisis? *New Statesman.* Retrieved from http://www.newstatesman.com/2014/02/notes-series-scandals

Schneider, B. (1987). The people make the place. *Personnel psychology*, *40*(3), 437-453. doi: 10.1111/j.1744-6570.1987.tb00609.x

Steger, M. (2013). *Globalization: A very short introduction.* Oxford: Oxford University Press.

Suchman, M. C. (1995). Managing legitimacy: Strategic and institutional approaches. *Academy of Management Review*, *20*(3), 571-610. doi: 10.5465/AMR.1995.9508080331

Sutton, R. & Rao, H. (2014). *Scaling up excellence: Getting to more without settling for less.* Toronto: Random House Canada.

Syed, J., & Özbilgin, M. (2009). A relational framework for international transfer of diversity management practices. *The International Journal of Human Resource Management*, *20*(12), 2435-2453. doi: 10.1080/09585190903363755

Tatli, A. (2011). A multi-layered exploration of the diversity management field: diversity discourses, practices and practitioners in the UK. *British Journal of Management*, *22*(2), 238-253. doi: 10.1111/j.1467-8551.2010.00730.x

Tech Spot (2015, August 5). *Intel doubles referral bonus for women and minority hires.* Retrieved from http://www.techspot.com/news/61645-intel-doubles-referral-bonus-women-minority-hires.html

Teece, D. J. (2012). Dynamic capabilities: Routines versus entrepreneurial action. *Journal of Management Studies*, *49*(8), 1395-1401. doi: 10.1111/j.1467-6486.2012.01080.x

Vertovec, S. (2007). Super-diversity and its implications. *Ethnic and Racial Studies*, *30*(6), 1024-1054. doi: 10.1080/01419870701599465

Wall Street Journal (2015, August 5). *Lloyds bans all-male shortlists for top jobs*. Retrieved from http://blogs.wsj.com/moneybeat/2015/08/05/lloyds-bans-all-male-shortlists-for-top-jobs/

Wrench, J. (2005). Diversity management can be bad for you. *Race & Class*, *46*(3), 73-84. doi: 10.1177/0306396805050019